

RECLAMATION

Managing Water in the West

Managing for Excellence **Concept Paper**

Functional Area: Major Repair Challenges

Executive Sponsor

Michael Ryan, Director, Great Plains Region

Background/Drivers

Much of Reclamation's critical water supply infrastructure was built in the early to mid 1900s and is at or nearing its design life. In many cases, this infrastructure is in need of extraordinary maintenance work or rehabilitation (Major Repairs). The costs of these Major Repairs are substantial, at times exceeding the original construction investment in the project. Reclamation law assigns responsibility for the costs of these Major Repairs to project beneficiaries, and in most cases requires that they be paid as they are incurred. This represents a substantial challenge for many of the project beneficiaries, and particularly to irrigated agriculture, where the costs of normal operation and maintenance are increasing rapidly while farm revenues remain flat.

These Major Repair challenges present three major questions which the teams in this functional area seek to address: what new mechanisms can Reclamation devise to help customers finance their allocated share of major repair projects; what processes or measuring tools can be developed to determine whether a major repair project is warranted; and, working with stakeholders, what innovations can be developed to add value to major repair projects? By addressing these questions in collaboration with its customers, Reclamation will ensure the sustainability of its infrastructure and the financial viability of its critical water projects in the 21st Century.

Financing Assistance

Although many Major Repair projects are well justified economically, project beneficiaries may still not have the financial ability to meet their share of costs as they are incurred. Even districts that maintain reserve funds for such exigencies often find that those funds are insufficient for Major Repair projects. Meanwhile, private lending institutions are generally unwilling to make loans to irrigation districts without the facilities as collateral - title to which remains with the United States. Legislation is pending in the Congress to authorize a loan guarantee program which would address this need for financing sources (S. 895, passed by the Senate and being considered in the House). Under this proposed program, project beneficiaries responsible for repayment of the costs of Major Repairs would seek loans from private lending institutions, which loans could, subject to certain criteria, be guaranteed by Reclamation. This would encourage private lenders to participate in addressing these financing needs.

The team responsible for Action Item 17 is making the necessary preparations to implement an effective loan guarantee program should the legislation be adopted by the Congress. This includes discussions with the Department of Interior in tracking and responding to the legislative process for the proposed bill, discussions with USDA and private lending institutions which have experience

with somewhat similar loan guarantee programs, outreach to districts to provide them awareness of the proposed program, the preparation of program justification documents for approval by the Office of Management and Budget, draft guidelines for administration of the program, required forms, etc. Interested stakeholders are encouraged to give input to the Congress during the consideration of this legislation regarding its usefulness in addressing the financing challenges discussed herein. Team 17 will present its products and findings to Reclamation's leadership in August, 2006. An overview of the team's products and the status of the legislation will be presented at Reclamation's public meeting September 19-20. For an outline form of Team 17's objectives, tasks, and milestones, please see the attached Action Item Summary. It should be noted that this and all other Action Item Summaries are subject to refinement based on input from Reclamation managers, staff, customers, and other stakeholders.

Feedback from Reclamation's customers both prior to and during this *Managing for Excellence* initiative has indicated significant interest in re-instatement of direct, interest-free loans under the Rehabilitation and Betterment Act of 1949, the Small Reclamation Project loans program, or similar alternatives. Reclamation has heard and understands this interest. However, current funding limitations are likely to prevent the use of these programs in the near future. Therefore, while it may be considered for legislative action in the future, it is not addressed by the action items in the *Managing for Excellence* Action plan.

Determining Justification

In addition to the challenge of financing Major Repairs, the estimated costs of some repair projects can be so high that they raise the question of whether they are economically justified at all, with or without new financing or funding mechanisms. Developing tools and processes to produce analyses of repair project value that will be useful to both Reclamation and its stakeholders in planning, budgeting and decision making for these Major Repairs is the focus of the team responsible for Action Item 18.

The team has conducted an inventory of existing tools that Reclamation has used in evaluating Major Repair projects, and has researched processes used by offices throughout the agency in identifying the need for Major Repairs and making decisions regarding them. Based on this effort, the team feels that the analysis tools at the agency's disposal are adequate, and that in many cases, good processes are used, although they vary significantly in their scope and format, as well as their level of customer involvement. Using this information, the team has diagramed a process for identifying, analyzing and making decisions regarding a Major Repair. This includes assumptions regarding what constitutes a Major Repair, the basis on which the need for a Major Repair is determined, and the types of analysis that would go into decision making. The proposed process indicates the level and types of stakeholder involvement needed at various points in the process, and addresses the impacts of funding availability.

Reclamation managers involved with and responsible for these activities have been interviewed regarding the effectiveness and completeness of these preliminary products. The team is now conducting targeted outreach to Reclamation customers to solicit their feedback on the effectiveness of the proposed process. Appropriate revisions may be made based on feedback received during this external outreach. The proposed process will then be presented at Reclamation's public meeting in Salt Lake City, September 19-20. All interested stakeholders are encouraged to participate in the discussion of this proposed process which will take place at that time. Final revisions will be made, and Reclamation managers will be consulted a second time. The team's final recommendations will then be presented to Reclamation leadership for review in October, 2006. For an outline form of Team 18's objectives, tasks, and milestones, please see the attached Action Item Summary.

Value-Added Innovation

The third action item in this functional area focuses on the creation of a process to bring together the ingenuity of a project's community to add value to Major Repair projects. In spite of the difficulties in accomplishing Major Repairs, as described above, there are a number of examples where innovation on the part of both Reclamation customers and employees has led to successful achievement. The team responsible for Action Item 19 (Adding Value to Major Repairs) intends to capitalize on these experiences, explore other potential methods of adding value to Major Repair projects, and ensure that this type of effort becomes a consistent part of the process for successfully accomplishing Major Repair projects.

To accomplish its objective, this team has interviewed a broad cross-section of Reclamation employees and customers regarding their experiences and thinking on adding value to Major Repairs. The team then discussed its approach and sought further customer input at Reclamation's public meeting in Las Vegas. Based on the insight gained from these activities, the team is developing recommendations on where 'Adding Value' is timely in Project Management for Major Repairs (in coordination with the process being outlined by Team 18), including a screening process for value-added measures. The team is also developing an inventory of value-added measures, and a library of examples which have been used successfully. While input from Reclamation customers is critical to a number of *Managing for Excellence* action items, it is especially important in this team's work, and Reclamation continues to encourage stakeholders to provide input regarding value added measures, success stories, and other recommendations. For a more detailed listing of the types of input sought, see the presentation from the Las Vegas public meeting, available on Reclamation's *Managing for Excellence* website. The team's recommendations will be presented to Reclamation leadership for their review in September, 2006.

For an outline form of Team 19's objectives, tasks, and milestones, please see the attached Action Item Summary.

Relationship to other Functional Areas

In addition to the inter-relationship between themselves, as discussed above, the three action items in this functional area will necessarily impact a number of others in Reclamation's *Managing for Excellence* effort, and vice-versa.

The recommendations of Team 19 could be an important consideration in implementing the project management process that will be proposed by the team responsible for Action Items 20 – 23, Project Management. The outcome of Team 18 may include recommendations for the development of Reclamation Manual Policies or Directives and Standards which could coincide with the recommendations of Team 6 and the work of Team 7 under Policies and Organization. Additionally, the implementation of recommendations from Teams 29 and 30 under the Asset Sustainment functional area will be an important part of one of the decision points identified in the process proposal of Team 18. Finally, as stated in *Managing for Excellence: An Action Plan for the 21st Century Bureau of Reclamation*, the improvements sought by the action items in the Engineering and Design functional area will be of significant benefit in helping to address the Major Repair challenges facing Reclamation's Projects and infrastructure.

Action Item 17

Seek/Obtain legislative authority for loan guarantees to facilitate private financing for water users' share of major repair/extraordinary O&M costs, prepare for subsequent program implementation.

Team Lead: Sandie Simons, Manager, Contract Services Office, Office of Program and Policy Services

Team Members:

- Ed Warner, Resources Division Manager, Western Colorado Area Office, Upper Colorado Region
- Dawn Wiedmeier, Deputy Area Manager, Eastern Colorado Area Office, Great Plains Region
- Steve Hvinden, Deputy Area Manager, Boulder Canyon Operations Office, Lower Colorado Region
- Donna Tegelman, Regional Resources, Division of Resources Management, Mid-Pacific Region
- Matt Maucieri (Advisor), Congressional Affairs Office, Washington, D.C.

Objectives:

- Seek/Obtain legislative authority for a Reclamation-administered loan guarantee program to facilitate private financing for water users' share of major repair/extraordinary O&M costs.

Tasks:

- Track legislation, e.g. S. 895.
- Learn from USDA Loan Program
- Develop draft guidelines for Reclamation-administered loan guarantee program
- Outreach to lending institutions
- Outreach to districts
- Outreach to tribes, States, and local governments

Milestones:

- August 2006: Guidelines for loan participants, regions, and lending institutions, and related documents will be available for review.

Products to be Developed:

- Guidelines for Reclamation-administered loan guarantee program

Action Item 18

Develop processes or measuring tools to determine whether a major repair project is warranted.

Team Lead: Tim Ulrich, Manager, Lower Colorado Dams Office, Lower Colorado Region

Team Members:

- Brian Becker, Deputy Chief Dam Safety, Safety, Security, and Law Enforcement
- Greg Gere, Deputy Area Manager, Dakotas Area Office, Great Plains Region
- Larry Hieb, O&M Technical Services Manager, Snake River Area Office, Pacific Northwest Region
- Karl Stock, Economist, Contract Services Office, Office of Program and Policy Services
- Tim Ulrich, Area Manager, Lower Colorado Dams Office, Lower Colorado Region

Objectives:

- Develop a clear and transparent process for decision-making on major repair projects.
- Improve interaction with customers at key data gathering and decision points to ensure agreement on the assumptions that go into the measuring tools we use in the decision process.
- Develop a plan for implementation of team recommendations

Tasks

- Research existing processes and measuring tools
- Seek feedback (internal and external) on effectiveness
- Evaluate need for additional processes and measuring tools
- If needed, develop additional processes and measuring tools
- Submit alternatives and recommendations for review

Milestones:

- May 2006: Inventory existing measurement tools.
- May 2006: Draft decision-making process.
- June 2006: Solicit internal feedback.
- July/August 2006: Solicit external feedback.
- August 2006: Revise decision-making process, develop new tools as needed.
- September 2006: Internal/external review of revised products.
- October 2006: Formulate alternatives & recommendations for executive review.
- October 2006: Develop and recommend implementation plan.

Products to be Developed:

- Description of decision-making process for Major Repairs and appropriate measuring tools
- Implementation Plan

Action Item 19

Working with stakeholders, develop innovative processes that can add value to major repair projects.

Team Lead: Steven Jarsky, Manager, O & M Technical Services West, Snake River Area Office, Pacific Northwest Region

Team Members:

- Ed Vidmar, Resource Program Manager, Provo Area Office, Upper Colorado Region
- Dan Pellouchoud, Director, Engineering & Planning Office, Lower Colorado Dams Office, Lower Colorado Region
- James Allard, Deputy Area Manager, Oklahoma City Field Office, Great Plains Region
- Erin Foraker, General Engineer, Power Resources Office, Office of Program and Policy Services

Objectives:

- Research, evaluate, develop, and document recommendations for processes aimed to maximize value from major repair projects at water and power facilities. Stakeholder involvement in the processes will be emphasized.

Tasks:

- Interview stakeholders
- Determine where “Adding Value” is timely in project management
- Inventory measures that add value
- Develop screening process for added value measures
- Develop library of success stories
- Develop recommendations for review by subject matter experts and leadership

Milestones:

- June/July 2006: Preliminary interviews with stakeholder groups.
- September 2006: Report of recommended processes submitted for review and approval.

Products to be Developed:

- Stakeholder outreach package to collect data for “adding value” measures and processes
- Final report including:
 - Results of Stakeholder and Reclamation outreach
 - Overview of where “adding value” fits within the project planning process
 - Inventory of “adding value” measures for the project planning process
 - Recommendations for Stakeholder involvement with “adding value”
 - Case studies of projects to which value was added
 - Recommendations for items for further implementation